

2002 Dependent Care FSA Enrollment Follow-Up

You enrolled in a Dependent Care Flexible Spending Account for 2002. The FSA Guide we provided with your enrollment materials last month did not have 2002 tax information for you to compare the relative tax advantages of the 2002 Dependent Care Tax Credit with those of a Dependent Care FSA. Instead, the guide provided 2001 tax information and we promised to provide the 2002 tax information when it became available. It's available now.

Included with this notice is an excerpt from the updated FSA Guide that allows you to recalculate the tax advantages of the 2002 Dependent Care Tax Credit and a Dependent Care FSA. Please do the recalculation and compare the relative tax advantages.

If you decide the Dependent Care FSA is still right for you, do nothing. If you decide the Dependent Care FSA is not right for you (the Dependent Care Tax Credit is more advantageous), contact Benefits & Well-Being by December 7 to cancel your 2002 Dependent Care FSA enrollment.

You may cancel your 2002 Dependent Care FSA enrollment by any one of three methods:

- ? By completing the fill-in portion of this notice and mailing or faxing it to Benefits & Well-Being (Yesler Building YES-HR-0500, 400 Yesler Way, Seattle WA 98103-2683; fax 206.684.1925)
- ? By e-mailing the information to kc.benefits@metrokc.gov
- ? By calling 206.684.1556.

If we do not hear from you by close of business December 7, the Dependent Care FSA enrollment form you submitted during open enrollment will be processed as it was submitted.

☐ Please cancel my 2002 Dependent Care FSA enrollment – I've recalculated and determined the 2002 Dependent Care Tax Credit is more advantageous for me.

Payroll/Paid

- ☐ 5th and 20th each month
☐ Every other Thursday

Signature _____

Date Signed _____

Printed Name _____ Soc Sec No _____



King County Office of
Human Resources Management
BENEFITS & WELL-BEING

Excerpt from Updated Flexible Spending Account Guide

2002 Dependent Care Tax Information

FSA vs. Tax Credit

When you file your federal income taxes, you have the option of taking an income tax credit for your dependent care expenses. In some cases, you may be able to take advantage of both the tax credit and the Dependent Care FSA. However, the amount you contribute to your Dependent Care FSA reduces — dollar-for-dollar — the amount of your dependent care tax credit. Please see a tax advisor for advice on your personal situation.

Estimating Tax Credit

The following worksheets and charts can help you estimate and compare income tax savings from the federal Dependent Care Tax Credit with those from a Dependent Care FSA. Tax regulations, however, are complex and these worksheets cannot take all of them into account. You may wish to consult your tax advisor to help you determine which approach is best for your situation.

Worksheet 1: Estimating Income Tax Savings with Federal Dependent Care Tax Credit

1. Enter your adjusted gross income, including your pay and, if married, your spouse's pay and any other taxable income.	\$ _____
2. Enter your estimated dependent care expenses (\$3,000 maximum for one dependent and \$6,000 maximum for two or more dependents).	\$ _____
3. Enter the federal Dependent Care Tax Credit decimal value from Chart 1 below for your adjusted gross income as shown on line 1 above.	_____
4. Multiply the amount on line 2 by the decimal value on line 3. This is your estimated income tax savings with the federal Dependent Care Tax Credit.	\$ _____

Chart 1

Adjusted Gross Income	Tax Credit Decimal Value	Adjusted Gross Income	Tax Credit Decimal Value
Under \$15,000	.35	\$29,001 to \$31,000	.27
\$15,001 to \$17,000	.34	\$31,001 to \$33,000	.26
\$17,001 to \$19,000	.33	\$33,001 to \$35,000	.25
\$19,001 to \$21,000	.32	\$35,001 to \$37,000	.24
\$21,001 to \$23,000	.31	\$37,001 to \$39,000	.23
\$23,001 to \$25,000	.30	\$39,001 to \$41,000	.22
\$25,001 to \$27,000	.29	\$41,001 to \$43,000	.21
\$27,001 to \$29,000	.28	Over \$43,000	.20

Worksheet 2: Estimating Income Tax Savings with Dependent Care FSA

1. Enter your adjusted gross income from Worksheet 1, line 1.	\$ _____
2. Enter the amount of your planned contributions to the Dependent Care FSA (amount cannot exceed \$5,000 per calendar year if married filing a joint return or \$2,500 per calendar year if married filing separately).	\$ _____
3. Enter your total personal exemptions (\$2,900 each for you, your spouse and your dependent children in 2002).	\$ _____
4. Enter the amount of your itemized deduction from your last year's return or, if you do not itemize, subtract \$6,650 if you are head of household, \$7,600 if you are married filing jointly, or \$3,800 if you are married filing separately in 2002.	\$ _____
5. Add lines 2, 3 and 4 and enter the total here.	\$ _____
6. Subtract line 5 from line 1. This is your taxable income.	\$ _____
7. Enter the tax rate decimal value from Chart 2 below for your taxable income as shown on line 6 above.	_____
8. Multiply line 2 (Dependent Care FSA contributions) by line 7 and enter the result here. This is your estimated income tax savings with the Dependent Care FSA.	\$ _____

Chart 2

Head of Household with Taxable Income	Tax Rate Decimal Value
Less than \$36,250	.150
Over \$36,250 but less than \$93,650	.275
Over \$93,650 but less than \$151,650	.305
Married, Filing Jointly with Taxable Income	Tax Rate Decimal Value
Less than \$45,200	.150
Over \$45,200 but less than \$109,250	.275
Over \$109,250 but less than \$166,500	.305
Married, Filing Separately with Taxable Income	Tax Rate Decimal Value
Less than \$22,600	.150
Over \$22,600 but less than \$54,625	.275
Over \$54,625 but less than \$83,250	.305

Compare the dollar amount on line 4 of Worksheet 1 with the dollar amount on line 8 of Worksheet 2. Generally, whichever amount is larger represents the most income tax savings for you. (As previously explained, however, tax regulations are complex and these worksheets cannot take all individual tax considerations into account. They can only help estimate potential tax savings. For a more precise determination of your tax savings consult a tax advisor.)